

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
1998 Biennial Regulatory Review—)	CC Docket No. 98-137
Review of Depreciation Requirements)	
For Incumbent Local Exchange Carriers)	
)	
Ameritech Corporation Telephone Operating)	CC Docket No. 99-117
Companies’ Continuing Property Records)	
Audit, <i>et al.</i>)	
)	
GTE Telephone Operating Companies)	AAD File No. 98-26
Release of Information Obtained During)	
Joint Audit)	

COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company (“CBT”), an independent, mid-size local exchange carrier submits these comments regarding the Further Notice of Proposed Rulemaking in the above referenced proceeding.¹ In this FNPRM the Commission seeks comment on the March 3, 2000 proposal submitted by the ILEC members of the Coalition for Affordable Local and Long Distance Service (“CALLS”) that outlines a process under which the participating ILECs would “take contemporaneous steps over the life of the CALLS proposal to eliminate the disparity that exists between the regulatory and the financial accounting for depreciation expense and associated reserve balances.”² As an ILEC that is not a signatory to the CALLS proposal, CBT takes this opportunity to provide input on this depreciation proposal, which although not

¹ 1998 Biennial Regulatory Review—Review of Depreciation Requirements For Incumbent Local Exchange Carriers CC Docket No. 98-137, Ameritech Corporation Telephone Operating Companies’ Continuing Property Records Audit, *et al.* CC Docket No. 99-117, GTE Telephone Operating Companies Release of Information Obtained During Joint Audit AAD File No. 98-26, Further Notice of Proposed Rulemaking, FCC 00-119, released April 3, 2000, hereinafter referred to as the “FNPRM”.

² FNPRM at ¶2.

technically a part of the CALLS plan, nonetheless has been clearly linked by the CALLS participants.

CBT believes that the proposal presented by the CALLS ILECs is a reasonable approach to granting ILECs freedom from the regulatory depreciation requirements that inappropriately and needlessly apply to ILECs. While CBT believes that all depreciation regulation should be eliminated for ILECs without a prohibition against recovery of their reserve deficiencies, CBT is supportive of the proposal offered by the CALLS ILECs if it is clarified in one respect. Specifically, this depreciation plan should be an optional election for ILECs that are not currently CALLS participants. Any price cap ILECs that elect CALLS after its adoption by the Commission should not be required to participate in the depreciation process outlined in the March 3rd letter.

This flexibility should be maintained because the ILECs that are not CALLS members, particularly the mid-size LECs, may have unique circumstances that make this depreciation proposal less beneficial than for the large CALLS members. One such issue is the Continuing Property Records ("CPR") audits. Although CBT agrees that it would be appropriate to terminate the CPR audits in conjunction with this depreciation proposal, the audit issue does not affect CBT. Therefore, the parameters for evaluating the proposal are different for CBT and other carriers that are not the subjects of the CPR audits. CBT and other non-CALLS carriers should have the opportunity to evaluate their participation in the depreciation plan in light of the final CALLS proposal and their particular circumstances at that time. In short, the process proposed by the current ILEC CALLS members should not be mandated for all price cap LECs, even those that may eventually elect CALLS.

There is also one inherent flaw in the proposal; namely, the requirement that carriers continue to report information concerning their depreciation accounts when significant changes to factors are made. This information would presumably be used by the Commission to maintain realistic ranges of depreciable life and salvage factors for use in cost models for universal service or rates for interconnection and UNEs.³ The ongoing maintenance of ranges and factors by the Commission is unnecessary and economically irrational. For the Commission to acknowledge the use of the same depreciation treatment for regulatory and financial accounting, yet continue to set ranges for USF and interconnection/UNE purposes, is not logical. This is particularly so for interconnection/UNE purposes where most parties have vociferously argued in support of using forward-looking costs. Treating ILECs in the same manner as all other competitors by allowing them to use the same accounting for depreciation for regulatory and financial purposes is a long overdue recognition of the competitive environment in which the ILECs are now operating. It is irreconcilable that the Commission can acknowledge this competitive environment, but continue to set depreciation ranges and factors for interconnection and UNEs. If interconnection and UNE prices are to accurately reflect the forward-looking costs of a competitive marketplace, the depreciation included in those prices must be the same as the depreciation used in the competitive marketplace, that is, the same depreciation that carriers use for financial accounting purposes.

Although CBT agrees that it is not unreasonable for the Commission to specify that carriers choosing the proposed depreciation process not seek recovery of the interstate amortization expense through UNE rates, any further involvement of the Commission in setting UNE rates is unwarranted. If the states, which have the responsibility for setting UNE rates,

³ FNPRM at ¶14.

In keeping with the goals of the 1996 Act, the Commission should be eliminating regulations which are no longer necessary or in the public interest. To require continued reporting of information by carriers which is no longer needed by the Commission, merely because it may be convenient for the states is not sufficient justification for imposing this additional reporting on a particular class of carrier. There is sufficient publicly available information accessible to the states should they feel they need information on depreciation ranges and factors to set interconnection and UNE prices.

Although the process proposed by the CALLS ILECs in their March 3rd letter is generally a reasonable vehicle for relieving these ILECs from the current depreciation requirements, CBT urges the Commission not to mandate this process for ILECs that are not currently CALLS members. Furthermore, if adopted the Commission should refrain from requiring the submission of data for maintaining “realistic” ranges and factors.

Respectfully submitted,

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